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SOBEYS

*Your Maritime Owned Food Chain*

INCORPORATED 1946

HEAD OFFICE - STELLARTON, NOVA SCOTIA

Corp report

SOBEYS STORES LIMITED

# annual report 1966

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SOBEYS

# annual report

AS OF MAY SEVENTH - 1966

SOBEYS
STORES
LIMITED

KING STREET
STELLARTON, N.S.

AUDITORS H. R. DOANE & CO. NEW GLASGOW, N.S. • TRANSFER AGENT & REGISTRAR MONTREAL TRUST CO. - HALIFAX, SAINT JOHN AND MONTREAL • BANKERS THE BANK OF NOVA SCOTIA

## DIRECTORS

MERRITT G. CRAWFORD

F. CARLETON FISHER

LESLIE SHARP

DAVID F. SOBEY

DONALD R. SOBEY

FRANK H. SOBEY

HAROLD M. SOBEY

WILLIAM M. SOBEY

FRANK T. STANFIELD

SOBEYS

Frank H. Sobey

# DIRECTORS' REPORT

William M. Sobey

TO THE SHAREHOLDERS:

**Sales** The vigorous economy during your company's fiscal year contributed to healthy sales - the highest reached in our 60 year history. This increase which was 18.6% over the previous fiscal period also reflects the Company's aggressive attitude and promotional programs.

**Earnings** Net Earnings before tax amounted to $1,095,770.00, an increase of 22.2%. Per share earnings after tax of $1.88 compares favourably with last years record of $1.49 per share.

In line with the Company's conservative accounting policies maximum depreciation has been claimed on assets, which results in a reserve for future income tax for the year of $94,758.00 (1965 - $59,191.00). This amount, if added to earnings, would have meant an additional 27c per share.

**Financial** Cash flow for the year amounted to $1,288,465. or $3.64 per share - up 25%, and the Company's working capital at the fiscal year end was $1,747,417.00. Liability to asset ratio increased slightly to 1-1.5.

Profits realized on sale of investments and assets during the year are shown separately in the financial statement and for this purpose an additional column on the last page of the statement has been added showing these capital gains separate from the Company's operational earnings.

In November, 1965, a series "H" Debenture was issued with attached warrants - $1,000,000. Fixed assets of the Company increased by $1,200,000.00.

**Dividends & Retained Earnings** In January, 1966, dividends were increased from 12 1/2c per share quarterly to 15c per share.

Shareholders will note that the retained earnings of the Company are now in excess of $3,000,000.00.

**Training of Employees and Management Development** Your Company presently employs approximately 1300 regular and part-time employees and is engaged in an active Training Program, involving purchasing, merchandising, and management.

In this program, employees, managers, and supervisors participate in a three-way reporting procedure on the progress of the individual employee.

We are now showing satisfactory results in this plan and look forward to increased employee efficiency and productivity.

**Merchandising, Advertising & Operations** Strong emphases on merchandising, operations and promotional activity is paramount in the forward planning and the daily conduct of our business - the public reaction to new, exciting, and interesting promotions, sales and ideas continues to be favourable. This is a never-ending task and is of major concern to management.

**Expansion and Development** The company was operating 48 stores at the end of the fiscal period - during the year two older units were closed in Dartmouth and Sydney and the Queen Street, Halifax store was replaced with a large modern Supermarket. Intense planning is currently underway for new and larger outlets both in developing Shopping Centres and in down-town areas. One large store in the Saint John, N. B. plaza has been completely remodeled and re-equipped and stores in Port Hawkesbury, Antigonish, Yarmouth, and Halifax will be enlarged and/or remodeled this year.

During May, 1966, the "Foodland" Supermarket in Grand Falls, Newfoundland was purchased, marking the company's first entrance into Canada's tenth province.

The company presently has under construction a $5,000,000.00 shopping centre in St. John's, Newfoundland, known as "Avalon Mall", which will have approximately 40 retail outlets containing a well balanced combination of national and local stores of which 3 will be large department stores plus a modern theatre. Your company will occupy the largest and most modern food outlet in the Atlantic Provinces in "Avalon Mall".

Management is presently engaged in preliminary planning for improved and modernized distribution to its stores and proposes to introduce into its general accounting operation modified use of electronic data processing in the near future.

**Outlook** During the past two years improvement has been noted in the economy of the Atlantic Provinces, however, much of this development has taken place in two or three major urban areas and has little effect on easing the burden created by overstoring throughout the provinces.

This existing situation must be dealt with cautiously, and while the company plans a continuance of expansion, development, and operation improvement in the Atlantic Provinces, Management is aware that over-expansion in certain areas can be unprofitable.

The future outlook for the company is good and results should reflect this careful optimism.

**In Appreciation** · Our appreciation is extended to the customers, suppliers, and employees of the company who have been so instrumental in the company's development and its success in the retail food merchandising business.

## OFFICERS

FRANK H. SOBEY
*Chairman of the Board*

WILLIAM M. SOBEY
*President*

LESLIE SHARP
*Vice President & General Manager*

DAVID F. SOBEY
*Vice President - Merchandising*

HAROLD M. SOBEY
*Vice President*

MERRITT G. CRAWFORD
*Secretary - Treasurer*

SOBEYS

## AUDITORS' REPORT

TO THE SHAREHOLDERS OF

SOBEYS STORES LIMITED

We have examined the Consolidated Balance Sheet of Sobeys Stores Limited and its wholly owned subsidiary company as at May 7, 1966 and the Consolidated Statements of Profit and Loss and Retained Earnings for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us, and as shown by the books of the Companies, the accompanying Consolidated Balance Sheet and Consolidated Statements of Profit and Loss and Retained Earnings are properly drawn up so as to exhibit a true and correct view of the state of the Companies' affairs as at May 7, 1966 and the results of operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. DOANE AND COMPANY,
Chartered Accountants

New Glasgow, Nova Scotia
June 27, 1966

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## ASSETS

AND WHOLLY OWNED SU

# CONSOLIDATED B

AS OF MAY 7, 1966 - WITH COMPAR

| | 1966 | 1965 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 768,178 | $ 797,481 |
| Marketable securities, at cost (Market Value 1966 - $1,234,391; 1965 - $1,626,756) | 1,007,526 | 1,144,031 |
| Accounts and notes receivable less allowance for doubtful accounts | 257,208 | 143,147 |
| Loans receivable | 1,302,169 | 454,034 |
| Inventories, at lower of cost or market | 2,015,633 | 1,808,986 |
| Mortgage receivable - current portion | 1,617 | |
| Prepaid expenses | 34,009 | 23,276 |
| Building option | 7,500 | |
| | 5,393,840 | 4,370,955 |
| **6% MORTGAGE RECEIVABLE - DUE JULY 1, 1985** | 27,027 | |
| **FUNDS HELD BY TRUSTEE FOR REDEMPTION OF DEBENTURES** | 18,500 | 24,000 |
| **FIXED ASSETS,** at cost | | |
| Buildings and parking facilities | 4,399,842 | 3,793,220 |
| Furniture and equipment | 3,998,136 | 3,467,333 |
| Trucks and cars | 128,819 | 133,145 |
| Leasehold improvements | 314,969 | 263,030 |
| | 8,841,766 | 7,656,728 |
| Less: Accumulated depreciation | 2,800,384 | 2,428,385 |
| | 6,041,382 | 5,228,343 |
| Land | 1,829,617 | 1,409,642 |
| | 7,870,999 | 6,637,985 |
| | $13,310,366 | $11,032,940 |

SIGNED ON BEHALF

FRANK H. SOBEY
DIRECTOR

SOBE

BEYS
RES
ITED

SUBSIDIARY COMPANY

## LIABILITIES

# BALANCE SHEET

ARATIVE FIGURES AT MAY 1, 1965

| | 1966 | 1965 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Bank loan - secured | $ 296,000 | $ 316,500 |
| Bankers Acceptance Note | 500,000 | |
| Accounts payable and accrued liabilities | 2,614,167 | 2,467,721 |
| Sales tax payable | 22,074 | 19,753 |
| Debenture coupons payable | 33,985 | 19,114 |
| Sinking fund debentures (Installments due within one year) | 83,500 | 99,475 |
| Estimated income taxes payable | 96,697 | 89,291 |
| | 3,646,423 | 3,011,854 |
| **LONG-TERM LIABILITIES,** per statement attached | 4,416,000 | 3,619,000 |
| **ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS** | 558,106 | 463,348 |
| **RESERVE FOR FUTURE INVESTMENT TRANSACTIONS** | 100,000 | 50,000 |
| **SHAREHOLDERS' EQUITY** | | |
| Capital Stock Authorized | | |
| 375,000 Class "A" common shares without nominal or par value | | |
| 250,000 Class "B" common shares without nominal or par value | | |
| Issued and fully paid | | |
| 247,430 Class "A" common shares (234,000 in 1965) | 1,497,850 | 1,229,250 |
| 106,000 Class "B" common shares | 32,000 | 32,000 |
| | 1,529,850 | 1,261,250 |
| Retained Earnings | 3,059,987 | 2,627,488 |
| | 4,589,837 | 3,888,738 |
| | $13,310,366 | $11,032,940 |

The Notes attached hereto are an integral part of the Financial Statements and should be read in conjunction therewith.

F OF THE BOARD

EYS WILLIAM M. SOBEY
DIRECTOR

## NOTES TO CONSOLIDATED F

1. Under the provisions of leases dated January 1, 1959, March 1, 1960, November 15, 1961, April 1, 1963 and March 1, 1965, all between Sobey Leased Properties Limited as Lessor, and the Company, as Lessee, the Company has leased lands, buildings and improvements from Sobey Leased Properties Limited for terms extending beyond five years from the Balance Sheet date.

2. At Balance Sheet date there was an outstanding guarantee of $250,000 for bank loans of Sobey Leased Properties Limited.

3. In consideration of the exclusive right to lease the supermarket premises in all shopping centres developed by Canadian Shopping Centres Limited the Company has undertaken, by agreement dated April 1, 1960, to provide cash to meet any obligations which Canadian Shopping Centres Limited is unable or fails to meet until all Series "A" Debentures (of which $427,500 principal amount is presently outstanding) of Canadian Shopping Centres Limited have been paid in full in accordance with their terms. Any deficiency payment made by Sobeys Stores Limited will be in consideration of the issue to it of an appropriate number of $10 fully paid and non-assessable 6% non-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT

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4. The Company has reserved a maximum of 20,000 unissued Class "A" common shares to satisfy the conditions relating to Share Purchase Warrants attaching to the Sinking Fund Debentures, Series "H", maturing November 1, 1985.

5. The Company advances, from time to time, surplus cash on a demand note basis at current bank rates of interest to Sobey Leased Properties Limited. It also advances funds, without interest, to other Companies for their use in acquiring, constructing and leasing shopping centre properties for and on behalf of the Company.

6. Provision for income taxes is $94,758 in excess of taxes payable for the year as a result of claiming capital cost allowance of $189,516 more than recorded depreciation.

7. During the year the Company issued 13,430 shares of Class "A" common shares for cash at $20 per share to satisfy the conditions relating to Share Purchase Warrants attaching to the Sinking Fund Debentures, Series "E".

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MAY 7, 1966

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MAY 1, 1965)

| | 1966 | 1965 |
|---|---|---|
| **PROFIT FOR THE YEAR BEFORE TAKING INTO ACCOUNT THE UNDERMENTIONED ITEMS** | $2,099,484 | $1,826,867 |
| **EXPENSES** | | |
| Administrative and office salaries | 322,312 | 298,623 |
| Auditing and management services | 12,846 | 8,970 |
| Depreciation | 527,106 | 440,469 |
| Directors' fees | 1,250 | 1,375 |
| Debenture and mortgage interest | 248,133 | 191,274 |
| Interest on current debt | 52,422 | 51,304 |
| Legal Fees | 34,885 | 17,157 |
| | 1,198,954 | 1,009,172 |
| **OTHER INCOME** | 900,530 | 817,695 |
| Investments | 97,089 | 86,608 |
| | 997,619 | 904,303 |
| **OTHER EXPENSES** | | |
| Contribution to profit sharing and pension fund | 66,810 | 58,729 |
| **NET PROFIT BEFORE INCOME TAXES** | 930,809 | 845,574 |
| **PROVISION FOR INCOME TAXES** | | |
| Taxes payable for the year | 336,697 | 328,797 |
| Provision for future income taxes | 94,758 | 59,191 |
| | 431,455 | 387,988 |
| **NET PROFIT FROM OPERATIONS** | 499,354 | 457,586 |
| Profit on sale of investments | 167,247 | 101,514 |
| Less: Transfer to reserve for future investment transactions | 50,000 | 50,000 |
| | 117,247 | 51,514 |
| Profit (Loss) on sale of fixed assets | 47,714 | ( 921) |
| | 164,961 | 50,593 |
| **NET PROFIT** | $ 664,315 | $ 508,179 |

# SOBEYS STORES LIMITED

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MAY 7, 1966

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MAY 1, 1965)

| | 1966 | 1965 |
|---|---|---|
| Balance, beginning of year | $2,627,488 | $2,291,585 |
| Add: Net profit for the year | 664,315 | 508,179 |
| Adjustment of prior year's profits resulting from income tax re-assessment | | 1,368 |
| | 3,291,803 | 2,801,132 |
| Deduct: Dividends paid – Class "A" common | 130,715 | 117,000 |
| – Class "B" common | 58,300 | 53,000 |
| Tax adjustments relating to prior years | 1,123 | 1,644 |
| Financial expenses relating to debenture issues | 4,178 | 2,000 |
| Discount on issue of Series "H" debentures written off | 37,500 | |
| | 231,816 | 173,644 |
| Balance, end of year | $3,059,987 | $2,627,488 |

## CONSOLIDATED STATEMENT OF EARNINGS SINCE INCORPORATION

| Year | Profit From Operations | Provision For Depreciation | Interest on Long-Term Debt | Provision For Income Taxes | Profit (Loss) On Sale of Fixed Assets and Investments | Net Profit |
|---|---|---|---|---|---|---|
| 1947 | $ 36,642 | $ 10,186 | $ 3,134 | $ 8,988 | $ 4,334 | $ 18,668 |
| 1948* | 59,047 | 13,926 | 6,682 | 13,629 | 2,630 | 27,440 |
| 1949 | 86,881 | 26,189 | 6,390 | 21,293 | ( 120) | 32,889 |
| 1950 | 114,304 | 29,338 | 7,788 | 28,558 | 153 | 48,773 |
| 1951 | 148,049 | 37,846 | 7,808 | 43,959 | 335 | 58,771 |
| 1952 | 163,651 | 35,607 | 8,102 | 59,966 | | 59,976 |
| 1953* | 200,890 | 38,250 | 9,398 | 76,125 | | 77,117 |
| 1954 | 214,419 | 48,663 | 18,806 | 66,813 | ( 573) | 79,564 |
| 1955 | 288,792 | 74,363 | 39,581 | 80,069 | 11,869 | 106,648 |
| 1956 | 396,446 | 99,472 | 60,963 | 108,504 | 6,639 | 134,146 |
| 1957* | 578,416 | 136,966 | 64,284 | 172,642 | 4,763 | 209,287 |
| 1958 | 612,555 | 141,889 | 101,041 | 163,865 | 40,856 | 246,616 |
| 1959 | 769,346 | 164,648 | 99,078 | 227,925 | 11,213 | 288,908 |
| 1960 | 804,147 | 176,695 | 95,039 | 248,354 | 8,738 | 292,797 |
| 1961 | 914,630 | 211,095 | 101,181 | 279,591 | 6,652 | 329,415 |
| 1962 | 1,135,190 | 276,271 | 145,421 | 340,412 | 38,551 | 411,637 |
| 1963 | 1,228,028 | 351,631 | 139,657 | 347,681 | 32,586 | 421,645 |
| 1964* | 1,315,808 | 382,533 | 139,015 | 363,366 | 39,711 | 470,605 |
| 1965 | 1,477,317 | 440,469 | 191,274 | 387,988 | 50,593 | 508,179 |
| 1966* | 1,706,048 | 527,106 | 248,133 | 431,455 | 164,961 | 664,315 |

*(53 weeks)

## CONSOLIDATED STATEMENT OF LONG-TERM LIABILITIES

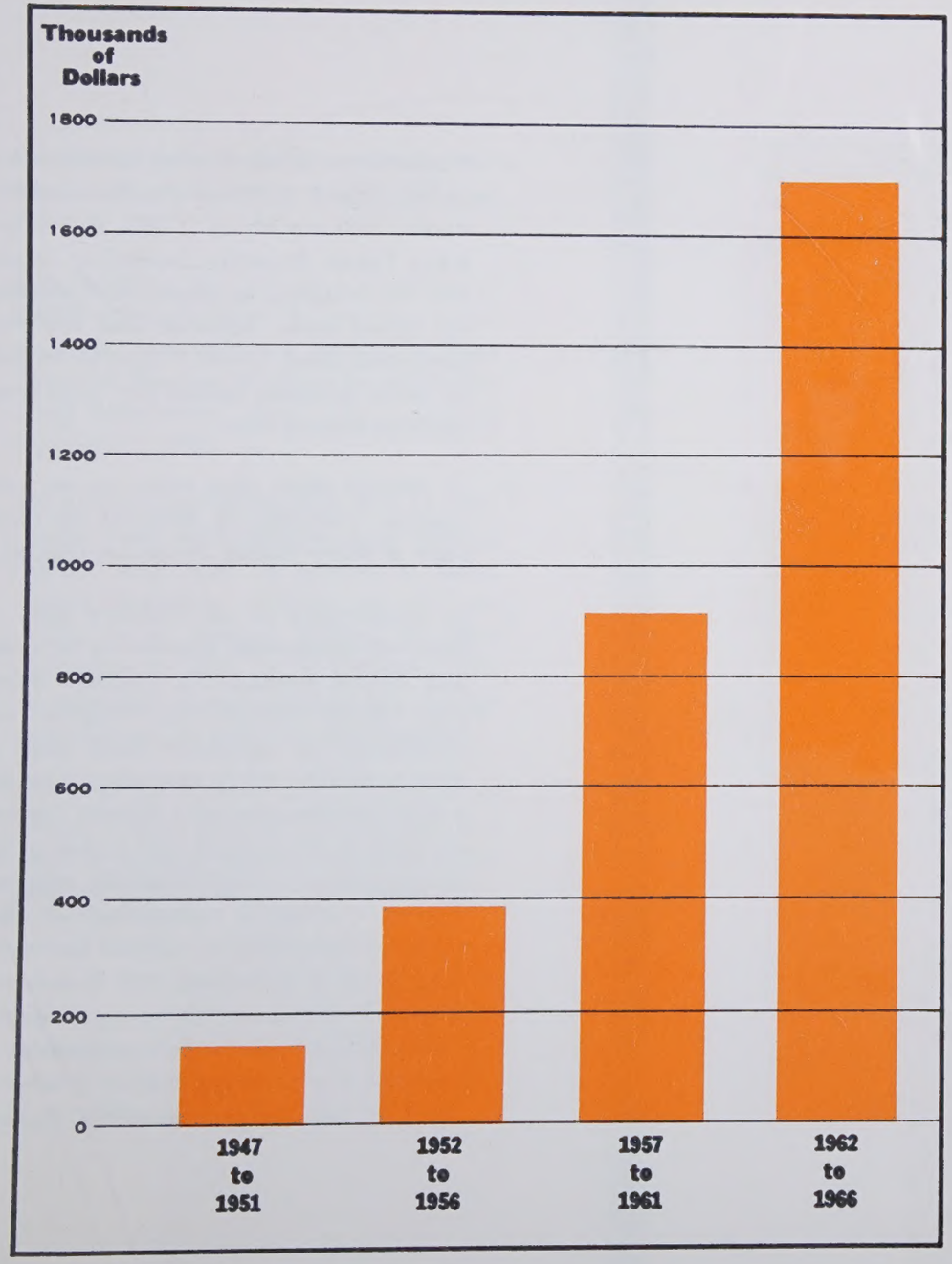
FOR THE YEAR ENDED MAY 7, 1966

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MAY 1, 1965)

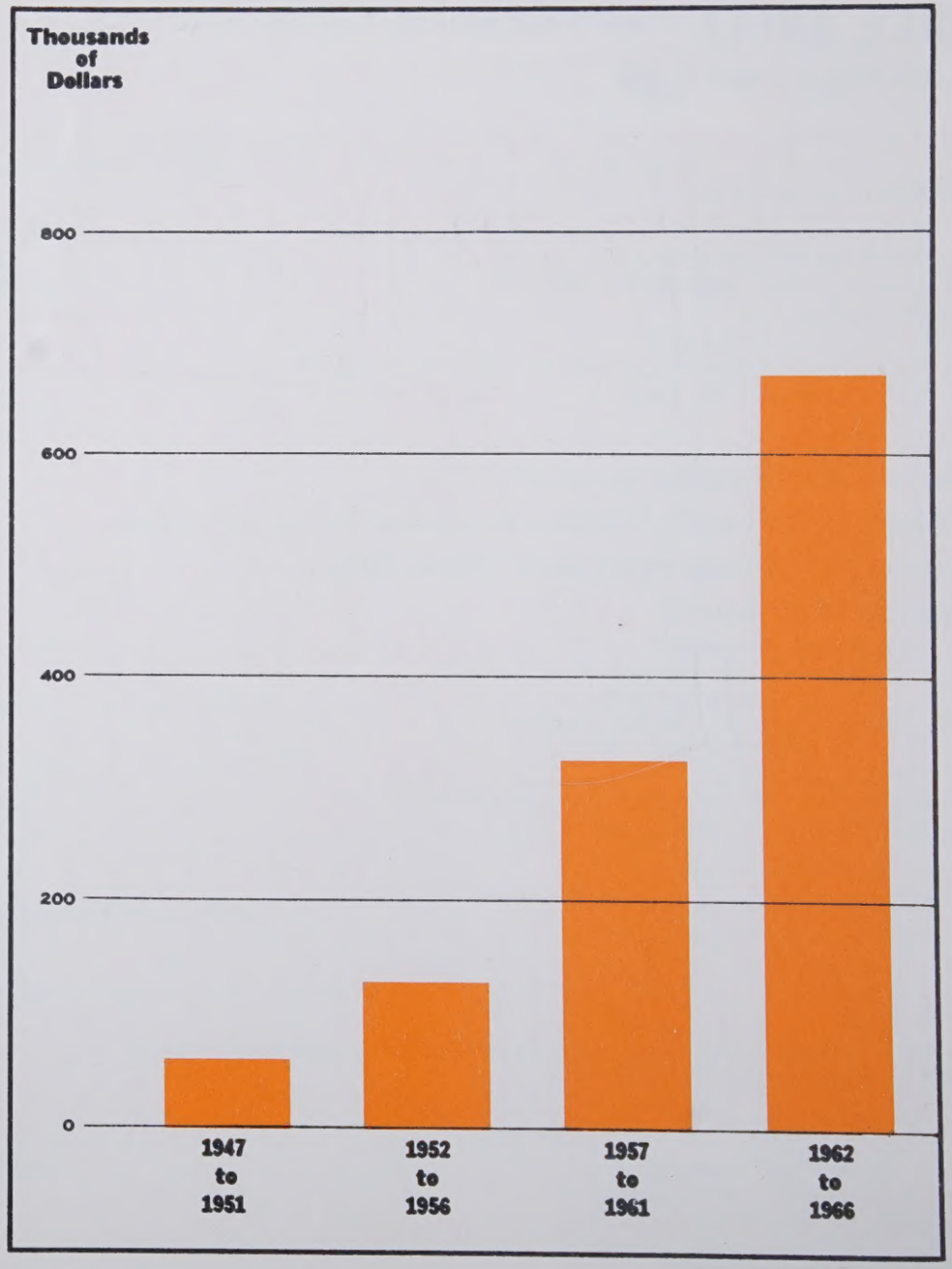
| | 1966 | | 1965 | |
|---|---|---|---|---|
| **5¼% SINKING FUND DEBENTURES SERIES "A" DUE SEPTEMBER 1, 1968** | | | | |
| (Authorized and issued $300,000) | | | | |
| Issued - less redeemed | $120,000 | | $135,000 | |
| Debentures in hands of Company | 3,000 | $ 117,000 | 6,000 | $ 129,000 |
| **5% SINKING FUND DEBENTURES SERIES "B" DUE MARCH 1, 1972** | | | | |
| (Authorized and issued $500,000) | | | | |
| Issued - less redeemed | 309,000 | | 325,000 | |
| Debentures in hands of Company | 7,000 | 302,000 | 5,500 | 319,500 |
| **4¾% SINKING FUND DEBENTURES SERIES "C" DUE SEPTEMBER 1, 1975** | | | | |
| (Authorized and issued $500,000) | | | | |
| Issued - less redeemed | 350,000 | | 350,000 | |
| Debentures in hands of Company | 27,500 | 322,500 | 17,000 | 333,000 |
| **6% SINKING FUND DEBENTURES SERIES "D" DUE MAY 1, 1977** | | | | |
| (Authorized and issued $750,000) | | | | |
| Issued - less redeemed | 570,000 | | 570,000 | |
| Debentures in hands of Company | 22,500 | 547,500 | 5,000 | 565,000 |
| **6% SINKING FUND DEBENTURES SERIES "E" DUE MARCH 1, 1981** | | | | |
| (Authorized and issued $1,000,000) | | | | |
| Issued - less redeemed | 850,500 | | 880,000 | |
| Debentures in hands of Company | 4,000 | 846,500 | 3,000 | 877,000 |
| **6% SINKING FUND DEBENTURES SERIES "F" DUE APRIL 1, 1984** | | | | |
| (Authorized and issued $1,000,000) | | | | |
| Issued - less redeemed | 949,000 | | 994,000 | |
| Debentures in hands of Company | 30,000 | 919,000 | | 994,000 |
| **5¼% SINKING FUND DEBENTURES SERIES "G" DUE APRIL 15, 1985** | | | | |
| (Authorized and issued $500,000) | | | | |
| Issued - less redeemed | $ 485,000 | | $ 500,000 | |
| Debentures in hands of Company | 10,000 | 475,000 | | 500,000 |
| **6% SINKING FUND DEBENTURES SERIES "H" DUE NOVEMBER 1, 1985** | | | | |
| Authorized and issued | 1,000,000 | | | |
| Debentures in hands of Company | 30,000 | 970,000 | | |
| **FIRST MORTGAGE LOAN RE BUILDING** | | | | 975 |
| | | 4,499,500 | | 3,718,475 |
| **TRANSFER TO CURRENT LIABILITIES** | | 83,500 | | 99,475 |
| **TOTAL LONG-TERM LIABILITIES** | | $4,416,000 | | $3,619,000 |

SOBEYS STORES LIMITED

## PROFIT FROM OPERATIONS




## NET PROFIT



# SOBEYS STORES LIMITED

## OFFICERS & DIRECTORS

**Frank H. Sobey**
*Director*
*Chairman of the Board*

**William M. Sobey**
*Director*
*President*

**Leslie Sharp**
*Director*
*Vice-President & General Manager*

**Harold M. Sobey**
*Director*
*Vice-President*

SOBEYS

**Donald R. Sobey**
*Director*

**David F. Sobey**
*Director*
*Vice-President-Merchandising*

**Merritt G. Crawford**
*Director*
*Secretary-Treasurer*

**F. Carleton Fisher**
*Director*

**Frank T. Stanfield**
*Director*

## OPERATIONS PERSONNEL

**Ted Boehk**
*District Manager*

**William Vines**
*Supervisor, N. S.*

**Robert Clancy**
*Supervisor, N. S.*

**Tom Forman**
*District Manager*

**Gordon Reynolds**
*Supervisor, C. B.*

**Frank Hickey**
*Head Buyer*

SOBEYS

**Terry Jardine**
*Supervisor, N. B.*

**Jack Patriquin**
*Supervisor, N. B.*

**Ralph Hamm**
*Meat Supervisor, N. B.*

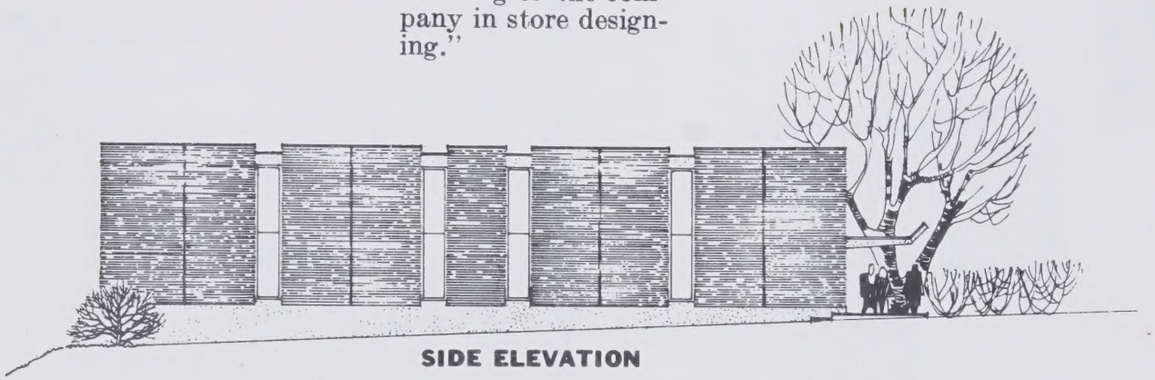
**Cecil MacLaren**
*Meat Supervisor, N. S.*

**Chas. Higgins**
*District Manager*

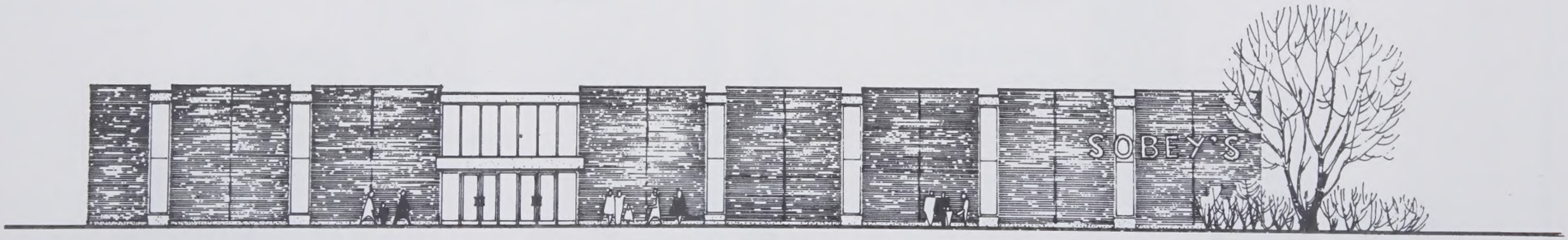
SOBEYS STORES LIMITED

## PLANNING AHEAD TO SERVE OUR CUSTOMERS

"This architects drawing represents a new unit now in the planning stages and portrays the forward thinking of the company in store designing."



SIDE ELEVATION




FRONT ELEVATION

SOBEYS